99th Congress
2d Session

COMMITTEE PRINT

S. PRT.
99-141

MIDDLE EAST TRIP REPORT
FEBRUARY 5-26, 1986

A REPORT

PREPARED FOR THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

APRIL 1986

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE
58-886 O WASHINGTON : 1986

S382-5

COMMITTEE ON FOREIGN RELATIONS

RICHARD G. LUGAR, Indiana, *Chairman*

JESSE HELMS, North Carolina	CLAIBORNE PELL, Rhode Island
CHARLES McC. MATHIAS, JR., Maryland	JOSEPH R. BIDEN, JR., Delaware
NANCY L. KASSEBAUM, Kansas	PAUL S. SARBANES, Maryland
RUDY BOSCHWITZ, Minnesota	EDWARD ZORINSKY, Nebraska
LARRY PRESSLER, South Dakota	ALAN CRANSTON, California
FRANK H. MURKOWSKI, Alaska	CHRISTOPHER J. DODD, Connecticut
PAUL S. TRIBLE, JR., Virginia	THOMAS F. EAGLETON, Missouri
DANIEL J. EVANS, Washington	JOHN F. KERRY, Massachusetts

M. GRAEME BANNERMAN, *Staff Director*
GERYLD B. CHRISTIANSON, *Minority Staff Director*

LETTER OF TRANSMITTAL

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

To the Members of the Committee on Foreign Relations:

I traveled to five countries in the Middle East between February 5-26, focusing my attention on U.S. interests in the region. I was accompanied by Casimir Yost of the Committee staff and Frederic B. Hill of my personal staff.

The attached report summarizes my conclusions from what was a stimulating if, at times, discouraging journey.

I was in Saudi Arabia when the latest Iranian offensive against Iraq began, in Syria while the Tripartite Accord was collapsing in Lebabon, in Jordan immediately following the breakdown of the Hussein/Arafat, discussions, in Israel to hear reactions to King Hussein's major speech on the demise of his negotiating efforts, and left Egypt hours before riots broke out by the Giza Pyramids.

I was well received in each of the countries I visited. But I returned to the United States convinced that a widening gulf of perception and judgment between the U.S. and countries in that important region threatens our interests there.

This report was written in the hope that differences of substance and differences of perception can be distinguished and that we can reverse what seems to be the course of events in an area of vital United States interests.

CHARLES MCC. MATHIAS, JR.

CONTENTS

	Page
Letter of Transmittal	III
Introduction	1
Major findings	1
Part I—U.S. Interests in the Middle East	2
(1) Bilateral Relations (Political/Economic)	3
—With Israelis	3
—With Arabs	3
(2) Aid Relationships	5
(3) Peace Process	6
(4) Petroleum	9
(5) Soviet Union	10
(6) Regional Conflict	11
(7) Terrorism	12
(8) Hostages	13
Part II—Country Studies	13
(1) Saudi Arabia	13
(2) Syria	16
(3) Jordan	18
(4) Israel	19
—Occupied Territories	22
(5) Egypt	24
APPENDIX	
Schedule of Major Appointments	27

INTRODUCTION

Significant competing demands, domestic and foreign, vie for the attention of every U.S. President. His success in establishing priorities and in focusing on essential goals can ultimately determine whether the record of his Presidential term will be a positive one.

My trip to the Middle East was undertaken with an appreciation for the competing pressures faced by our nation at present but also out of a conviction that great opportunities and significant risks were testing the United States in a region vital to our interests.

I spent three weeks from February 5–26 visiting Saudi Arabia, Syria, Jordan, Israel, and Egypt. I met with many of the national leaders of each of these countries. A list of my major appointments is appended to this report.

The focus of my inquiry was on U.S. interests in the Middle East. Specifically, I examined: U.S. bilateral relations with Saudi Arabia, Syria, Jordan, Israel, and Egypt; U.S. aid relationships in the region; the implications for the United States of success or failure of the Arab-Israeli peace process; the consequences for regional stability arising from the decline in oil production and prices; the Soviet role in the region; the risks to the United States from an escalation in regional conflict; the dangers posed by the rise in terrorism emanating from the Middle East; and, finally, the status of the American hostages being held in Lebanon. It remains my judgment that this part of the world is of vital strategic concern to the United States. Our interests there are being tested by Soviet probing, and perhaps of greater significance, by anti-Western socio-political forces of considerable weight and vigor. We are failing, as a nation, to develop policies which comprehensively address these threats.

Many have suggested that our interests in the region have so diminished that we can afford to devote significantly less attention to it. This is not my view. I believe that the seeds for future problems for the United States are being sown at present in the Middle East. We ignore them or belittle them at our peril. We must not walk away from our difficulties in the Middle East simply because they do not appear amenable to simple solutions. I fear that this is our tendency at present.

Based on my recent discussions and observations, I would make the following general points:

MAJOR FINDINGS

—The United States has suffered a net loss of influence in the Middle East in recent years. This loss may become worse as the United States is unable to demonstrate either a capacity to meet the security needs of its friends in the region or to assist in the movement toward a comprehensive Arab-Israeli peace.

—Moderate Arab governments continue to see reasons for maintaining a strong connection with the United States, but most are experiencing rising pressure from their publics to reduce their links with us.

—Sharp disagreements between states in the region (i.e., Syria/Iraq, Egypt/Syria) make policy making and coalition building particularly difficult for the United States.

—U.S. losses have not yet translated into significant Soviet gains in the region. However, marginal gains in moderate Arab states and expanded security relationships with certain radical states may result in greater Soviet influence in the Middle East in the future.

—The United States assisted peace process has stalled. It is unlikely that it can be revived quickly absent a fundamental change in policy by the PLO. Significant alternative Palestinian leadership does not exist, and King Hussein will not negotiate without Palestinian participation or a major Arab partner.

—Peace between Egypt and Israel was made without the participation of Syria and the Soviet Union. It may well be that peace between Israel and her other neighbors, including the Palestinians, can be made only with the acquiescence or cooperation of Syria and the USSR.

—Terrorism threatens to so distract official Washington that our capacity to pursue significant policy goals in the Middle East may be sharply circumscribed. Moreover, our failure to pursue what is viewed as a positive agenda on peace and security in the region is reducing our effectiveness in combating terrorism.

—At this time there is no effective means of communication with the American hostages being held in Lebanon. No prospect of early release exists.

—The decline in oil based income in the Middle East is having potentially serious adverse effects on the economies of non-oil producing Middle East states as workers return home from the Gulf and remittances decline. There may be adverse political ramifications arising from these economic facts.

—The risks to U.S. interests of expanded warfare between Iran and Iraq, of ignition of conflict between Israel and Syria, or arising out of a terrorist incident, remain high.

—We must not conclude from our problems in the Middle East that disengaging would constitute a wise policy course. Others will capitalize on a failure of U.S. will or attention in the region.

—The United States should, for example, devote high level attention to mediating differences between Israel and Syria in southern Lebanon and Israel and Egypt. Above all, it must not let the Arab-Israeli peace process fail through a lack of effort on our part.

PART I—U.S. INTERESTS

When the nature of U.S. interests in the Middle East is defined, the elements most often cited are Israel and oil. Clearly, these two provide only the headings for a more diverse complex of interests, sometimes competing, which we pursue. I shall discuss each in turn, recognizing that it is frequently our ability to pursue them concurrently which determines our overall success in the region.

(1) Bilateral Relations

ISRAELIS

Our national support for Israel is a function of a very broad and deep commitment by the American people to the people and state of Israel. It is a commitment nurtured by a mutual perception of common values and common goals and by a sense that each re-enforces the strategic interests of the other. Israelis recognize the vital nature of their ties to the United States. We value enormously having a close friend at the Eastern end of the Mediterranean at a time of growing Soviet strength on that body of water.

On occasion, specific U.S. interests are not perceived to coincide exactly with those of Israel and vice versa. Our two nations have, however, successfully managed our differences in the years since Israel's independence. I have no doubt we will continue to do so in the future.

Our relations today are as strong as at any time since 1948. The range of cooperative efforts between our two countries is remarkable. There are, however, potentially divisive issues which could confront Israel and the United States. Our policies with respect to the peace process are, at present, largely compatible with those of Prime Minister Peres. He, however, is scheduled to relinquish the office of Prime Minister to Mr. Shamir in October. Likud Party policy, shared by Mr. Shamir, is not to consider relinquishing to Arab control any additional land in exchange for peace with one or more of Israel's neighbors. This issue could bring our respective governments into disagreement.

Furthermore, Israel has a paramount interest in limiting the military capabilities of her neighbors. We must, however, balance this interest against others, including our desire to be responsive to the security needs of moderate Arab states.

There are Israelis who worry that, if anything, relations with the United States are so close as to be dependent and unhealthy. One senior Israeli made the observation that "Reagan's approach to Israel is avuncular rather than paternal. He loads us down with sweets but never takes time to talk to us about problems." This, however, is not the final word about this relationship.

ARABS

The United States continues to enjoy positive relations with a number of moderate Arab states in the region. These relations are built on mutually perceived common interests. We contribute to the security of pro-Western states through arms sales and aid, but ultimately through the perception that we would be willing to go to war to deny the region to the Soviet Union. Our influence is enhanced in the Middle East by the perception that we can contribute to peace between Arabs and Israelis by building on a record of accomplishment in the 1970's.

We, in turn, derive benefit from commercial and economic ties to the region which are important to us and vital to our Western allies who rely heavily on Middle Eastern oil. Our interests in the region were jeopardized when a virulently anti-American regime came to power in Iran. They would be further undermined if a

similar evolution of authority took place in moderate Arab states currently identified as pro-Western.

A number of Arab leaders are facing increased pressure from their people arising out of reduced oil income in the region. This is contributing to rising unemployment in a number of countries which either don't have oil or have citizens working in oil producing states.

The problem of Palestinian Arabs is a continuing one in the Middle East. It has created a special dilemma for the United States. They are a people whose claim to nationhood refuses to disappear. Their cause, for a variety of complex reasons, puts us, to one degree or another, at odds with all states in the region.

The Egyptian relationship has special meaning for the United States. Egypt is not only a strategic friend in the Middle East but has been a partner with the United States and Israel in the search for peace. However, the Israel/Egypt relationship is not set in stone. It is dependent, to a degree we cannot precisely define, on the general direction of Israel's relations with her other neighbors. If these worsen, Egypt, beset by escalating domestic economic problems, will find it difficult to insulate its relations with Israel from pressures from her Arab brethren. A worsening Israeli/Egyptian relationship can have serious negative consequences for the United States. It could raise regional tensions and weaken Congressional support for Egypt. We have a vital interest in actively promoting the improvement in Israeli/Egyptian ties.

Our ties to this region are weakening. For example, the United States exported 9 percent of its total exports (roughly $18 billion) to the Middle East/North Africa in 1983. There has been a steady decline in these exports, in both percentage and dollar terms, since then. In 1983, for example, our exports to Saudi Arabia alone totaled about $8 billion. Last year that figure was roughly $4 billion.

Moreover, there are complex forces at work in the region. There is growing evidence of Arab acceptance of Israel's existence in the Middle East which might be translated into concrete agreements. There is, however, also growing anti-Western sentiment which is manifested in rising Islamic fundamentalism and which, in its more virulent form, has translated into vicious terrorism.

There is a rising danger that the United States will be perceived as incapable of addressing Arab concerns either with respect to the peace process or with respect to their security needs. Our credibility as the ultimate guarantor of the security of moderate Arab states has been deeply eroded. The current stagnation of the peace process and our rejection of arms sales to Jordan and Saudi Arabia are often cited as examples of our inability to meet Arab needs.

Arms sales have become so identified with the peace process in the United States that we seem incapable of recognizing and addressing interests that we have with moderate Arabs which are apart from our interest in an Arab-Israeli peace. Our interests would not be served, nor would Israel's, by changes of regimes in states currently identified as moderate. Our refusal to provide for the legitimate security needs of our friends could contribute to pressures on them.

(2) Aid Relationships

Israel has made impressive progress in revitalizing her economy, with a fresh injection of American aid and American advice. At the same time, Israelis insist that from the beginning it was understood that American assistance was and is unconditional. The independence and autonomy of Israel is highly prized and fiercely defended, even against the influence of her friends.

There is nonetheless heavy reliance on continuing United States assistance and a full expectation that aid will be available in adequate amounts for the foreseeable future. The prospect of significant reductions in either economic or defense aid is not taken as a serious possibility and not to be considered. This reliance is coupled, of course, with a genuine desire to attain a state of self-sufficiency at the earliest possible time, but that is not a predictable event.

Israel views any provisions of defense assistance to any Arab nation at war with her as a hostile act. Even if the state of war is only a formality, Israelis picture the potential of Israeli casualties caused by American weapons. Provision of such equipment by other nations is equally resented although the feeling is tempered to the degree that Israelis view American arms as the most effective and, therefore, the most lethal. There is no confidence expressed in the restraints or conditions that can be placed on the deployment and use of American arms.

The question of American aid to Israel is no longer greeted by vocal protest in Arab nations, but rather by a silence that goes beyond anger. It is anticipated that the United States will continue to provide military and economic aid in large sums and political aid in places such as the United Nations. Arab nations seem to think that argument and discussion of this subject is not worthwhile and are close to a state of apathy with respect to it. But the appearance of apathy should not be taken as evidence of lack of strong feeling.

Conversely, American reluctance or refusal to provide assistance to Arab nations, particularly failure to honor Presidential commitments to do so, is viewed with more open feeling. There are many expressions of opinion that failure to complete the Jordanian arms transaction was a serious mistake, particularly as it came after personal presidential pledges, six years of negotiations, and a quarter century of mutual effort to forge a cooperative relationship. The prospect that final approval of the AWACS sale to Saudi Arabia or the provisions of spare parts and accessories for equipment sold in the past would become a subject of controversy and uncertain fate was viewed even more seriously. One typical opinion was that such a development would signal a major decline of American interest in the Middle East and encourage Arab nations generally to look for alternative sources of support and supply. It would be a predictable tactic to threaten to turn to the Soviet Union, but in such matters the Soviet Union may be the only other possibility so that it is more than an idle threat.

The leaders of moderate Arab states were clear in their personal views about the Soviet Union. Social and religious policies in the Soviet Union are deeply disturbing to them. But even the most con-

servative admitted that they could contemplate doing business with the Russians if their national interest dictated that course of action.

We retain influence and some degree of leverage in the Middle East. We need to use it wisely and with discrimination. Positive incentives may encourage favorable policy outcomes. Disincentives in the form of threats to withhold assistance rarely produce positive results, particularly when transmitted in a public manner. Proud national leaders cannot be seen to be succumbing to superpower dictation.

Moreover, in exerting pressure on our friends we must be mindful that our actions can undermine their political strength. However unhappy we may be with a particular regime's specific policy, the alternative to that regime may be far worse in terms of our interests.

(3) Peace Process

The United States has a significant interest in expanding and strengthening the Arab-Israeli peace process. That process has, in recent years, been a very troubled one. The effort to enlarge on the agreement achieved by Egypt and Israel to include other Arab participants has, to date, been unsuccessful.

The coming to power in September 1984 of a National Unity government in Israel, headed by Prime Minister Shimon Peres, King Hussein's revived interest in the peace process, and the changed circumstances of the PLO, opened the way for positive movement.

King Hussein saw an opportunity, limited in time, that was created by Mr. Peres' assumption of power in Isreal. Though some had hoped he could act unilaterally, the King has believed consistently that he needed Palestinian and other Arab participation in any negotiation with Israel. His reasoning is complex but important.

The 1974 Arab summit in Rabat termed the PLO the "sole legitimate representative of the Palestinian people." Most Palestinians, whether on the West Bank or elsewhere, look to the PLO to represent their political aspirations. Hussein has felt that he could not operate without PLO acquiescense. His position and his prospects are far different from those of Anwar Sadat in 1977.

He recognizes that Israel will not return to Arab control, under any circumstances, all of the territory captured in June 1967. Hussein believes, therefore, that for negotiations to be successful he needs other Arabs, and specifically the PLO, to be participants in the decision to make an agreement that embodies the return by Israel of less than all of the Occupied Territories in exchange for peace. Beyond that, the King is acutely conscious of this relative weakness in any negotiation which would put him one-on-one with Israel. Not only would Israel be perceived as holding the major cards, but his Arab brothers, notably Syria, would do their best to insure his failure. Jordan's largest sources of income are over half a billion dollars annually in Arab aid and over a billion dollars in remittances from Jordanians working in the Gulf. If these were interrupted, the Jordanian economy would collapse.

For these reasons, King Hussein devoted considerable effort at the end of 1984, in 1985, and at the beginning of 1986 to drawing

PLO Chief Yasir Arafat into the process and by making clear in his call for an international conference that all interested parties were welcome to participate in that process. The February 1, 1985, agreement between Jordan and the PLO was an important step in the King's efforts. It was, in effect, to be a formula for joint action in the event of negotiations with Israel.

In Israel there was considerable interest in the King's efforts coupled with universal rejection of any negotiation with the PLO. The Israeli government of National Unity was in general agreement on the issues of Lebanon and the economy, but that consensus did not extend to the issue of peace negotiations with Arabs.

For most Israelis, peace with Egypt has not been what they expected or hoped for. Its "cold" nature has made many Israelis less enthusiastic about proceeding further with other Arabs. In addition, eighteen years of Israeli control over the West Bank and Gaza have made Israelis resistant to contemplating even partial withdrawal from the remainder of the territories occupied in June 1967. The lack of an Arab interlocutor has retarded the opening of debate in Israeli society between those who favor giving up "land for peace" and those who support only "peace for peace." The Labor Party remembers its late leaders, Golda Meir, who thought retention of the West Bank would be "insane", and Yigal Allon, who thought it would be "unjust." Likud remembers Menachem Begin's devotion to Judea and Samaria. Prime Minister Peres counts himself in the category of those who would relinquish "land for peace", and has sought to encourage King Hussein in his efforts to come to the table by being flexible on the issues of Palestinian participation (but not PLO) in negotiations and on the question of an international forum (but not as a substitute for direct negotiations). He has stated that the Soviet Union may be a party to the international gathering if Moscow reestablishes diplomatic relations with Israel and permits emigration of Soviet Jews.

The Palestinian factor remains a highly significant one in any effort to move the peace process. Palestinians have maintained that recognition of Israel is their best card. Moreover, they harbor a deep sense of grievance that they should be asked to "recognize" Israel which, in their judgment, is occupying their land without corresponding Israeli recognition of the Palestinian rights. An essential dilemma remains that most Palestinians look to the PLO to represent their interests, and the PLO has proved incapable of developing a peace program with respect to Israel. Yasir Arafat in 1985 and early 1986 came as close as any, and to date he has not come close enough.

The United States has had a positive record of accomplishment with respect to promoting peace between Arabs and Israelis. In 1985 Assistant Secretary Murphy worked with great vigor and dedication to bring about face-to-face negotiations between an Israeli and a joint Jordanian/Palestinian delegation. We expended considerable effort to trying to find Palestinians acceptable both to Hussein (and, by extension, the PLO) and to Israel. Mr. Murphy also sought to move King Hussein away from his demand for an international conference, fearful that it would give the Soviets a role in the region they had not had in over a decade.

Unfortunately, at the end of 1985 the process began to unravel, victim of a number of factors.

Clearly, King Hussein saw his options narrowing. Yasir Arafat refused to pay the price of admission to negotiations by publicly endorsing UN Resolutions 242 and 338. The King was left without viable Palestinian cover. Moreover, vicious terrorist incidents tarred the Palestinian movement at the very moment that elements in it were moving toward peace.

Israeli steps in King Hussein's direction were halting, reflecting the deep divisions in the government of National Unity. The King also became increasingly concerned that Prime Minister Peres might not be able to deliver on any agreement to negotiate.

The biggest disappointment King Hussein faced, however, was the United States. He perceived us as being incapable of moving even modestly toward a dialogue with the Palestinians, and he was humiliated by the refusal of Congress to approve the Jordan arms package. He felt that the Administration did not exert itself sufficiently to get it passed, bringing into question the role the Administration would play in any peace negotiations or regional crisis.

King Hussein made, therefore, a move which seemed both logical and necessary to him. He opened a dialogue with President Assad of Syria.

Syrians have believed that the peace process can only proceed successfully when Arabs have achieved what they call "strategic parity" with Israel. They are adamant in stating that they will not tolerate a peace process which excludes them.

The public Syrian vision of that process is an international conference which brings all of the parties to the conflict together under international auspices. Such a conference, in their view, would discuss arrangements: for total Israeli withdrawal from territories occupied in June 1967, for guarantees of any agreements, and for how Palestinians could exercise their rights of self-determination.

When pressed, Syrian officials argue bluntly that "the only peace possible is one made by Syria and Israel."

The United States continued to press the negotiating process through the efforts of Richard Murphy at the end of 1985 and beginning of 1986. Our goal has remained face-to-face negotiations between Israel and joint Palestinian/Jordanian delegations. Our discussions have concentrated on process—who participates in the negotiations and under what auspices would they meet—not substance. Initially, we resisted an international forum. More recently we have sought to minimize its role.

King Hussein embarked on a two-week negotiating session with Yasir Arafat beginning January 25 and ending February 7. During this time the United States was in touch with the King and our position evolved in an attempt to induce Arafat to take the dramatic step. We were adamant that the PLO recognize U.N. Resolutions 242 and 338, agree to negotiate peace with Israel, and renounce terrorism. We conceded that, if the PLO did take these actions, the Secretary General would invite the PLO to be present at an international conference. We adjusted or clarified our positions in other ways as well.

The PLO demanded that the United States recognize the legitimate rights of the Palestinian people, including their right to self-determination within the context of a confederation between Jordan and the Palestinians. The President was not prepared to go this far.

In the end the negotiations broke down. The reasons for Arafat's refusal to make the final decision remain unclear. In a blunt speech given on February 19, King Hussein announced that "The Hashemite Kingdom of Jordan hereby announces that we are unable to continue to coordinate politically with the PLO leadership until such time as their word becomes their bond." The King has suggested that he may be searching for alternative Palestinian representation in the peace process. If this suggestion is not solely a form of pressure on Arafat, it probably represents a long-term hope rather than a short-term realizable objective.

In Israel Prime Minister Peres has seen an opportunity slipping away. He recognizes that a Hussein/Arafat agreement could bring him political difficulties. He has consistently maintained, however, that he wants to enter negotiations with a Camp David agenda (i.e., autonomy first, negotiations on final status second), and preferably with the National Unity government intact. He recognizes that disagreement within Israel over the substance of negotiations and the identity of the participants in those negotiations could require that there be elections very quickly.

This year has seen greater recognition on the part of Peres and Hussein of the political constraints faced by the other and greater effort to accommodate those constraints.

For much of 1985 and early 1986, a number of the major players in the region—Peres, Hussein, and Mubarak, in particular—saw it in their interest to pursue peace. Each had to make a political calculation whether actual peace negotiations offered enough prospect of success to justify entering them. In some ways, making this determination has been most difficult for King Hussein. In the past he has sought assurances with respect to substance (i.e., that Israel would return all or most of the territory captured in 1967). During the latest round he has concentrated on process: who would participate in the negotiations and under what auspices?

The process now moves to a more uncertain and potentially dangerous stage. A successful conclusion of the Hussein/Arafat discussions would have left Israel with very difficult questions and potential disagreements with the United States. The failure of the discussions seems to leave the peace process in limbo with no logical next step. King Hussein needs Palestinian and other Arab support to negotiate. Neither appears to be present.

All of this is apart from the issues of substance which have not as yet been discussed. These remain as tough, some would say much tougher, than any time since 1967.

(4) Petroleum

The oil glut and decline in oil prices has suggested to some that the Persian Gulf region has lost some of its strategic significance to the West. Only 15 percent of the non-Communist world's oil glows through the Strait of Hormuz, compared with 40 percent a decade

ago. However, this reduction is only partially a function of reduced world demand. Although only about 6.5 million barrels of oil a day go through the Straits, another four million barrels leave the region through one of several pipelines which exit through Turkey from Iraq and to the Red Sea from Saudi Arabia and Iraq.

The Persian Gulf remains an area of vital interest to the United States and the West with 55 percent of the world's oil reserves and up to one-third of the world's current oil production. Our allies continue to have a vital need for oil from the Gulf—Japan for 60 percent of its needs and Western Europe for about 25 percent. These, of course, are current requirements. No one can be certain what the 1990s will bring, but many speculate that there will once more be a rising dependency on Persian Gulf sources of energy.

What is highly significant, at present, is the profound effect on the region of significantly lower oil income and consequent lower economic activity. Non-oil producing states from Pakistan to Morocco have depended on aid and worker remittances coming from Gulf states. Both have dropped sharply. Workers are being sent home, causing twin problems in the form of lower foreign exchange receipts and higher unemployment. On my tour through the region I found Jordan and Egypt were particularly affected by these problems, but other U.S. friends, such as Pakistan, are facing similiar difficulties.

U.S. policy makers can take some solace from the fact that we now import so little of our oil from the Middle East. They should temper their satisfaction, however, with a heightened concern for the rising economic and political pressures which many of our friends now face. Relative wealth in the region contributed to regional political stability; its absence could promote unrest among those who will blame the Western connection for the lack of prosperity.

(5) Soviet Union

The United States has followed a conscious policy of seeking to limit Soviet influence in the Middle East. We have, in the last decade, achieved a large measure of success in this effort. By a combination of peace initiatives and economic/military sales and assistance, we have appeared more relevant to regional needs than the Soviets.

The Soviet Union was thrown out of Egypt, rebuffed in other moderate Arab states, and limited to security relations in radical states. Two of their clients (Syria/Iraq) are bitter antagonists. Their continued support for Yasir Arafat has put them at odds with President Assad.

Nonetheless, the Soviets have persisted, and now their persistence is showing signs of paying off. Israel's invasion of Lebanon has intensified the Soviet/Syrian relationship. Moderate Arab states have begun establishing diplomatic relations with Moscow (Oman and the United Arab Emirates most recently).

Arabs, moderate and radical, have not seen the Soviets as constituting the same clear threat to the region that Americans perceive. However, events in South Yemen are causing some unease in moderate Arab capitals with respect to Moscow. The Soviet willingness

to abandon its South Yemeni client and adopt a new one may because some concern among radicals as well.

The risks of superpower confrontation are expanding with the increase in the level of military hardware entering the region—Soviets have put very sophisticated surface-to-air missiles in Syria and Libya, for example.

Judgments vary with respect to what role the Soviets wish to play in the region. Conventional wisdom holds that their interests thrive during periods of unrest. But they have seen their clients vanquished and equipment destroyed so often that this judgment may not be definitive. The Soviets, however, have given little or no evidence that they are willing to depart from strict adherence to a radical Arab line on peace. In fact, there is considerable evidence that the Soviets worked actively to undermine the Hussein-Arafat discussions in Amman.

We have no easy policy choices with respect to the Soviet Union in the Middle East. We must not give them a free ride through our neglect of the region. At the same time, there may be a legitimate role for them in an expanded Arab-Israeli peace process. But they must be willing to pay the price of admission in terms of very changed policies with respect to Israel and with respect to rejecting the demands of the most radical Arab leaders.

(6) Regional Conflicts

Conventional wisdom has held that U.S. Middle East interests are best served by stability and peace in the region. Clearly, the risk of escalation and superpower confrontation has been a dangerous aspect of many regional conflicts in the past.

However, the 1973 Arab-Israeli war and its aftermath did open the way to a significant expansion of U.S. influence in the region. Two current areas of tension have mixed benefits and costs for the United States.

IRAN-IRAQ WAR

The Carter Doctrine was aimed at a possible Soviet threat to the region, while for the foreseeable future the greatest potential threats come from an expansion of the war between Iraq and Iran or from political instability in one or more of the other states on the Gulf periphery.

Whatever the responsibility for initiating the conflict, clearly Iran is responsible for perpetuating it. The latest Iranian attack comenced while I was in Saudi Arabia, and has raised serious concern throughout the region. Up until this point, Saddam Hussein of Iraq had been reticent to disrupt Iran by sustained air attacks on its economic infrastructure for fear of driving it into permanent hostility. This inhibition may no longer exist.

The latest fighting is a graphic illustration that Gulf states cannot insulate themselves from the conflict. The Saudi air force, assisted thus far by U.S. AWACS, has been able to deter, and in one case shoot down, Iranian intruders. But a war that threatened Kuwait would create very serious policy problems for the Kingdom.

The United States has derived some benefits from the war in the form of better relations with Iraq and Saudi Arabia than might

58-886 0-86--2

otherwise be the case. Moreover, messianic Iran's focus on the conflict reduces, but does not eliminate, its ability to export its revolution. Our major interest remains in preventing Iranian hegemony in the Gulf while not at the same time seeing Tehran driven to Moscow. We risk indefinite enmity with Iran in the support we give Iraq, but recognize that the fall of Iraq could be a catastrophe for our Gulf friends. Khomeni has changed almost everything in Iran, but he cannot change geography. Iran remains a strategically-placed nation with an industrious population with whom we must ultimately find a *modus vivendi.*

ISRAEL/SYRIA

The only credible military threat to Israel's security at present comes from Syria. Few believe Syria could win a confrontation; many fear that Israel would suffer significant casualties in a major engagement.

Syrian and Israeli interests conflict on a number of points. President Assad is determined to remove the last vestiges of Israel's presence in Lebanon both on the ground in the south and in the air over Lebanese territory. He has actively supported attacks on Israeli units and Israeli supporters in South Lebanon, and he has played a dangerous game of brinksmanship with his surface-to-air missiles on the Syrian border with Lebanon.

It appears unlikely that Syria would initiate a major war against Israel in the near term. The deficiencies in its air defenses and air force relative to Israel are too well-known. However, it is impossible to preclude an escalation arising out of an incident such as the November 19, 1985, shootdown of two Syrian MiG's.

Israelis speak respectfully about President Assad and the growth of Syrian military capability. One Israeli official said simply, "We are not at war now because Syria does not want it." Many Israelis are convinced that a clash with Syria is only a matter of time and that the only question is whether it will be a limited or full-scale confrontation.

An Israeli-Syrian war could create a very serious situation for us. Syria is the Soviet Union's major ally in the Middle East. A significant confrontation would pose very difficult problems of face and credibility for Moscow if, as is possible, Israel proceeded to destory large portions of the Syrian armed forces. How the new Soviet leadership might react to this contingency cannot be forecast with any certainty.

The United States should do all it can to mediate Syrian/Israeli differences, and for that purpose should improve and extend its communication with the Syrian government.

(7) Terrorism

This is not the first time that terrorism has affected U.S. interests in the Middle East. It is, however, emanating from the region in a more virulent form than in the past.

Observers debate causes. The ingredients include a Palestinian cause so buffeted by Israelis and Arabs that terror is perceived as the only course for an embittered leadership and for a generation of youth brought up on death and destruction. They employ the eu-

phemism "armed struggle" to define it. Additional factors have included a wave of anti-Western Islamic fundamentalism sweeping the region and regional states willing to utilize terror as tools of national policy.

Typical of the new threat are those elements of the Shia population in Lebanon which have been radicalized by the Israeli invasion of 1982 and have joined the Hezballah group financed by Iran. They form a dangerous new force on the Lebanese political scene.

This terrorism has sought to harm not just the West and Israel, but also those who argue for compromise with Israel. Arabs are also targets of Arab terrorism. Moderates are at risk throughout the region. Our friends, like Egypt, have been hurt by it. Arafat and Hussein have been warned by it. The terrorists have, in fact, achieved a considerable measure of success because they have managed to distract us and others in the region from the vigorous pursuit of peace.

The dilemmas for U.S. policy, created by this phenomenon, are multiple. It distracts us from pursuing other regional policy options. It has focused our attention on Qadhafi who is, in terms of our larger interests, a marginal actor. Indeed, virtually everywhere I traveled in the Arab world, U.S. policy was criticized for building up what most view as a ridiculous figure who was in trouble in his own country until the United States chose to turn him into a Libyan David fighting a superpower Goliath. Their comments recalled the conventional American political wisdom that it doesn't matter what is said about you as long as your name is spelled correctly.

The general perception in the region is that we talk too much with respect to terrorism and do too little. It is a perception not without foundation.

(8) Hostages

The Syrian government advised that it had no current report on the health or welfare of the American hostages. The government made no information available as to any recent contact with the hostages, and no one would admit to having seen them. The Syrians mentioned the Archbishop of Canterbury's effort as the only current activity on their behalf.

Inquiry about release of the Soviet hostages indicated that Soviet success was not easily attained. When maximum Syrian leverage did not obtain the release of Russian hostages, the Soviet Union is believed to have secretly resorted to acts of great brutality. The accuracy of these rumors could not be confirmed, but they were widely spread.

PART II—COUNTRY STUDIES

1. Saudi Arabia

This is a difficult time for the Kingdom of Saudi Arabia. Lower oil revenues have forced sharp cutbacks in government expenditures and drawdowns of Saudi financial reserves. The bloody change of regime in Aden and the renewed heavy fighting between Iraq and Iran have reminded the Saudis that they live in a danger-

ous neighborhood. A series of policy disagreements and rebuffs from the United States has moderated a relationship which Saudi Arabia has long valued and relied upon.

Saudi oil production, which averaged 9.8 million barrels a day in 1981, averaged under 4 million barrels last year. Income from petroleum exports and from financial reserves which brought about $110 billion in 1981, only brought about $30 billion last year. Each year, for successive years, the Saudi Government has had to draw on its reserves to cover budget deficits. Total reserves have fallen from about $140 billion to under $100 billion.

Recently Saudi Arabia decided it would no longer be the OPEC swing producer and raised its oil production. Budget necessity pushed the Saudis to drastic action. Since last August, Saudi Arabia has more than doubled its oil production, flooding the international oil market and driving down prices.

Petroleum Minister Yamani and others recognize that this policy is not without risks. There is broad recognition of the increased difficulties that lower prices create for major debtor oil producers like Mexico. Moreover, Saudi leaders know that political pressures could build rapidly from other states in the region, such as Iran, which need the income from higher petroleum exports.

The Saudi goal seems to be a stable oil market which will permit them to produce about four million barrels a day at $20–$25 a barrel for an annual income of about $35 billion. It is unclear that political will and market dynamics will permit the Saudis to accomplish their goal.

Saudi Arabia is still a very rich country which must now adjust to a lower national income. Economic retrenchment has had to come more quickly than most Saudis ever expected.

The government has met the budget crunch by delaying project payments, cutting back expenditures, including domestic subsidies, and slowing or stopping major projects. These cutbacks are proving painful for the business community, both foreign and domestic. Younger Saudis, who had reason in the past to aspire to quick riches, must frequently adjust their thinking and accept less.

The Saudi royal family remains secure. There are complaints about princely life styles at a time of relative austerity, but the decay that contributed to the fall of the Shah of Iran does not appear to be present. This is a ruling class which gives every evidence of being close to the people and to its religious roots. It is a regime which has ruled without interruption for over fifty years.

Saudi leaders go to significant lengths to achieve broad consensus behind national policies. Policy options that can command only 51% support are, by definition, bad.

There appears, at present, to be little threat to the regime coming from the military. The religious community in the Kingdom is respected and carefully listened to. Other significant groups in society, technocrats and businessmen, express degrees of unhappiness, but have limits on their ability or desire to dissent. Perhaps the biggest challenge which the leadership must addrgss in the future will come from the youth of the nation—up to 50% of the native population is under 16 years of age.

Potential external threats remain troubling. Saudis continue to be determined to avoid, where possible, a high profile. They want

to stay in tune with the Arab consensus, shape that consensus in discrete, behind-the-scenes ways, but not get out in front of it. This means keeping lines open to Arabs of all persuasions. Saudi money flows to Baghdad, Damascus, Amman, Khartoum, Sana, etc.

At present, Saudi attention is focused on the Iraq-Iran War and on South Yemen. Saudis see no gain to their interests from a continuation of the conflict between Tehran and Baghdad, and they believe that they have a great deal to lose. The latest fighting underlines Saudi Arabia's worst fears. An Iranian threat to Kuwait could involve the Kingdom directly.

Saudi leaders see risks and opportunities for them in Aden. Instability there could spill over into Saudi Arabia. However, Saudis are intrigued by the implications which might be drawn by Ethiopian leaders by the speed with which the Soviets abandoned their client leaders in Aden and replaced them without sentimentality.

Saudi interests are perceived in Riyadh to be served when Arabs are not arguing among themselves. Recently, Saudi Arabia encouraged the Hussein/Assad rapprochement. This effort may also have reflected a desire in Riyadh to detach Syria from Iran.

Saudis want an Arab-Israeli settlement. Influential Saudis argue that they support what they term "the rights, dignity of all peoples in the region, including Israel." They argue that it is Israel's refusal to agree to the "rights" of the Palestinians and our support for this position which blocks progress. The Saudis refuse to get out front on the peace process at least in part because they do not believe that the United States is willing to be active in bringing it to a successful conclusion.

Interestingly, however, the Saudis kept a high level of assistance, in the form of money and oil, flowing to Jordan in 1985 when King Hussein was seeking to engineer a peace negotiation with Israel. Their refusal to do so would probably have brought a sharp halt to the King's efforts.

Security, commerce, and peace have been the issues binding the United States and Saudi Arabia. The Saudis have looked to us for military equipment and training and for their ultimate security. We have looked to the Saudis as a forward partner in the event of a military threat to the Gulf. Saudi Arabia and the United States have derived mutual benefit from trade. The Saudis have looked to us for influence with Israel with respect to the peace process. We have looked to their supportive action with respect to that process and to their money in support of our mutual friends.

The U.S./Saudi relationship goes back decades to a shipboard meeting between King Abdul Aziz and President Franklin D. Roosevelt. It is symbolized by the Saudi/Arabian American Oil Company (ARAMCO) partnership in developing Saudi Arabia's natural resources. It has been sustained by the literally thousands of Americans who have worked in Arabia and Saudis who have studied in the United States. Today, virtually the entire upper echelons of the Saudi cadre of technocrats is American-educated. Over 10,000 Saudi students are at present in the United States, though there is concern that this number may decline as more Saudis receive undergraduate education in new local universities and colleges.

The United States and Saudi Arabia have consistently expected too much of each other. Saudi oil production, the Soviet invasion of

Afghanistan, the fall of the Shah, and the Iraq/Iran war drove our two countries together. The decline in oil prices and our decreased dependence on Saudi oil, the Saudi perception of a somewhat lessened threat from Iran, and the failure of the Arab-Israeli peace process have all undermined the relationship. We continue to be frustrated by what we view as a failure of Saudi Arabia to play a more active role in the peace process. The Saudis argue we should put more pressure on Israel to obtain a settlement.

More recently, Saudis have reacted with serious concern to the drying up of the U.S./Saudi arms relationship and to the perception, after the Israeli Tunis raid, that the United States is unwilling to stand up for moderate Arabs. Even our commercial ties are less strong than before. Though we exported over $4 billion to the Kingdom last year, we must now face Saudi petrochemical industry competition.

This is, in short, a very troubling time in the relations between our two countries. No one is forecasting a sharp break. Many see the Saudis distancing themselves from us in small but cumulatively significant ways. They are determined to continue to modernize their armed forces with or without the United States. One senior Saudi official put it to me, "We pay cash. If we cannot get arms from you, we shall not be angry, but we will get them from other sources." This process has been accelerated by the Saudi decision to purchase British Tornados, a versatile military aircraft. As their reliance on non-U.S. equipment increases, their commitment to the U.S. military connection, with all that this has entailed, will inevitably wane.

Nothing irreversible has happened between our two countries. The trend, however, is disturbing. Saudis feel vulnerable and increasingly feel we lack the will or means to address their vulnerabilities.

2. Syria

Syrians project an air of confidence, even arrogance, about the essential role of Syria in regional affairs. They recognize their policy failures in Lebanon, with respect to the PLO, and in managing their economy, but believe in the ultimate strength of their position and influence.

President Assad continues to be in tight control of Syria, assisted by a group of supporters who benefit from his continuing leadership. There is no clear successor to Assad should ill health finally remove him. His brother Rif'at stirs controversy and continues to spend much time in exile.

Assad is prepared to use forceful means to respond to internal dissent—witness the government response to the Muslim Brotherhood in Hama in 1982. The government has been said to use selective terrorism as an instrument of national policy outside Syria.

Assad has been less successful in dealing with Syria's economy. It is in shambles with successive years of decline in real GNP. The Syrian economy has been hurt by inefficient and ineffective government policies, by heavy defense expenditures, a decline in Arab support payments, and Assad's decision to close the Iraq/Syria oil

pipeline. The economy is kept alive by Iranian and Saudi funding. Oil discoveries in Syria may provide marginal relief.

Lebanon has preoccupied Syria since its creation, and most particularly since 1976. It now dominates Syrian attention. Assad's efforts to impose the Tripartite Accord on Lebanese factions have run into greater than expected Christian opposition and less than hoped for support from other Lebanese. Syria believes that it cannot afford to let Lebanon go its own way, but, to date, has not found the formula for enforcing its will in that unhappy country.

Assad's problems with the Lebanese have reduced, but not eliminated, the degree of pressure he can put on pro-Arafat PLO factions in Beirut and Sidon and on Israelis and their supporters in southern Lebanon. He is concerned by the growth in the radical Islamic fundamentalist faction, Hezballah, but constrained by his ties with Iran from taking decisive action in response to this concern.

Beyond Lebanon, Assad's preoccupation remains regional. He seeks to expand Syria's influence and to forestall encirclement of Syria by hostile states. To this end, he has supported Iran in its war with his much-hated neighbor, Saddam Hussein of Iraq. He has viewed with concern the rapprochement between Arabs he dislikes, namely Iraq, Jordan, Egypt, and the PLO. He has argued that Israel will not withdraw from territories occupied in June 1967 until Arab states, led by Syria, achieve "strategic parity" with that country.

Syrians see a U.S. hand behind many of their problems. Most recently, they deeply resented the Israeli interception of a Libyan Airlines plane and our veto of the Security Council resolution with respect to that incident. They noted with considerable glee our failure to approve arms for Jordan.

Assad has been willing to work on a limited agenda with the United States. He, for example, contributed to resolution of the TWA and Achille Lauro incidents, and is reported to feel that the U.S. did not express much gratitude for his assistance. He has been considerably less helpful with respect to the American hostages still being held in Lebanon. On most issues Damascus and Washington appear to be in conflict, though we recognize that Assad is a potent force to be reckoned with. He, in turn, does not believe we have the stomach to push, with vigor, our interests in the region, including our vision of where the peace process should go.

Assad is not a puppet of the Soviet Union. He has disagreed with and disregarded Soviet views on issues ranging from Lebanon to the PLO. But the relationship that does exist between Syria and the Soviet Union may be the latter's ticket to a peace conference.

Much of Syria's influence in the Arab world comes from its claim to being the one remaining confrontation state against Israel. Syrians retain an ability to disrupt an Arab consensus on major policy issues. The strength of the Syrian position depends, in part, on the failure of others to press and coordinate their actions. It is unclear that Assad sees any interest in becoming part of a peace dialogue with Israel. Whether he will exercise a veto with respect to its continuation is uncertain.

The former Prime Minister of France, Pierre Mendes-France, observed that Syria was the "key" to the Middle East, and current events do not discredit that view.

As long as Assad is in power, Syrian influence in the region will be important. His removal could bring fresh instability in Damascus. A bitter succession struggle may focus Syrian attention inward. It may, however, also result in dangerous Syrian posturing.

3. Jordan

The Kingdom of Jordan is a small country facing difficult problems, both domestic and as a result of living next to stronger, potentially hostile neighbors.

Until recently Jordan's economy was doing reasonably well. However, growth is slowing in line with the general economic slowdown in the region. There have been about 500,000 Jordanians working in the Persian Gulf region. In the last two years, Jordan has received about $1.1 billion in remittances annually. The Gulf slowdown is forcing numbers of Jordanian workers home and is adversely affecting Jordanian exports to Arab countries. Unemployment in Jordan is a growing problem, particularly among university graduates. Moreover, only Saudi Arabia has continued to provide regular financial assistance to Jordan, promised under the 1978 Arab League Baghdad Agreement. In 1985, Jordan received over half a billion dollars from Saudi Arabia in the form of direct aid.

King Hussein retains tight control; the monarchy is stable. But he has had to move adroitly. With an East Bank Palestinian population of 60%, his margin for error is not great.

There have been concerns expressed by his non-Palestinian constituents with respect to the re-entry of the PLO into Jordan. It was forcibly ejected in 1970. Some, if not all, fear the exposed position the King has taken with respect to the peace process.

King Hussein, however, has been determined to press that process. He feels deeply about the loss of the West Bank and Jerusalem to Israel in 1967. He saw, with Shimon Peres at the helm in Israel and with the split in the PLO, an opportunity to move the peace process forward. Nonetheless, he felt that he was operating within narrow limits. Above all, he does not think that he can get out far ahead of the Palestinians themselves. To this end, aside from his negotiations with Yasir Arafat, King Hussein has sought to revitalize Jordanian ties with West Bank Arabs.

Above all, Hussein seeks a safe regional environment. His ties with Iraq are good. He has re-established diplomatic relations with Egypt.

King Hussein continues to feel very disappointed by what he views as the failure of the United States to be more supportive. We have told him that we continue to stand by the September 1, 1982, Reagan Middle East Peace Plan. However, this commitment has been clouded in the view of most Jordanians by our refusal to open a dialogue with the PLO and by our rejection of the arms package for Jordan.

Jordanians believe that they face potentially serious threats from one or more of their neighbors whatever the current status of

their ties with these countries. Jordanian leaders believe that they received personal and explicit commitments for arms from Administration officials. They are deeply wounded that, in their view, the Administration put on such a lackluster effort to obtain Congressional approval of the Jordan arms package. Jordanians reject the notion that arms sales should be tied to peace negotiations, arguing that a secure and stable Jordan remains in the U.S. interest whether or not peace with Israel is achieved.

The U.S. rejection of the Jordan arms package is widely seen as a public humiliation of King Hussein, weakening his hand in his negotiations with the Syrians and PLO.

Jordanian military officers point out that negotiations with the United States over arms have been dragging on since the late 1970's. They argue that antiquated Jordanian equipment makes them dangerously vulnerable to outside threats, and that they cannot permit this situation to continue indefinitely. "We are," said one senior Jordanian, "risking the security and stability of our country." They feel they must now turn elsewhere for air defense equipment and advanced fighter aircraft. If they can get Saudi financing, then European sources might be a possibility. Otherwise, some Jordanians believe that Soviet equipment must be considered despite the expanded Russian presence this would bring.

Coincident with his troubles in obtaining arms from the U.S., Hussein determined that he had to mend fences with Syria. After a series of Jordanian/Syrian meetings at the minister level, Hussein met with President Assad on December 30, 1985.

Optimistically one could argue that Hussein was merely guarding his flank, attempting to entice Assad into the peace process, and at the same time showing Arafat he had options. More realistically, it appeared that Assad, with a different agenda than Hussein, had entered the process with a veto. Whether he is determined to exercise that veto remains to be seen.

The stalling of the peace process, growing economic problems, and general regional tensions have combined to put great pressures on King Hussein. In conversation he gives little evidence that these pressures cannot be managed. But clearly it is a difficult time for a man who has long been a friend of the United States and who has not always seen his friendship fully reciprocated.

4. Israel

The Israeli report card is currently a mixed one. The economy has undergone a dramatic turn-around. This must now be translated into sustained growth without inflation. Israel's strategic position is relatively better than in the past because most potential enemies are otherwise engaged, and the treaty with Egypt continues to hold. In addition, the country is governed by a government of National Unity whose members, while differing sharply on certain issues, have managed to cooperate successfully on others.

The National Unity government came to power in Israel with a popular mandate to act on the problems of Lebanon and the economy. In both areas the government has accomplished a great deal.

Israel has largely extracted itself from the Lebanon quagmire, though the Israeli withdrawal has left in place a continuing securi-

ty presence in the south and support for the Lebanese Army of South Lebanon. Israel still faces a security threat to its northern border, coming from terrorist groups. Israelis express no enthusiasm over the continued presence of UNIFIL, however. Neither Israeli incursions into Lebanon nor the Israeli-backed South Lebanon Army have brought peace to Israel's northern border. Shi'ite militias have not intervened heavily against Israel, but the risk of increased Shi'ite activity grows with every retaliatory Israeli raid. Syria has been distracted by its troubles elsewhere in Lebanon, but its attention, too, could be turned in a more substantial way to the South. In the meantime, Syrian brinksmanship with respect to its SAM sites is of considerable concern.

The National Unity government has also achieved considerable success with respect to the Israeli economy. The government's efforts have been assisted by a fortuitous drop in oil prices. Inflation has been cut dramatically. Reserves have climbed, and government deficits have been cut.

All of this has been the result of a very tough austerity program designed to reduce domestic demand. Certain budget programs have been sharply reduced, and wages have been cut. The military has not escaped the knife, with potentially serious consequences if current austerity measures are perpetuated.

Political pressures are growing to move from economic austerity to growth. No one is quite sure what such a transition entails; many are concerned that the patient is being asked to walk before he is completely recovered.

The National Unity government has managed to construct policies on issues over which members of the coalition differ. These include: (1) relations with Egypt, (2) policies in the Occupied Territories, and (3) the peace process.

(1) Most Israelis recognize that peace with Egypt, despite the costs, has brought enormous benefits. As one senior Israeli put it, "the peace treaty is the cornerstone; take it away and you have chaos."

At the same time, most Israelis are disappointed with the cold nature of the peace with Egypt. They had hoped that normalization of relations would mean much more than it has. The absence of an Egyptian ambassador in Israel and of significant Egyptian trade and tourism has grated on Israeli sensibilities. Prime Minister Peres has, however, been more eager than his Likud colleagues to work to revive the relationship. In particular, he has been the driving force in the negotiations on the territorial issue of Taba, successfully overcoming Likud resistance to submitting this issue to arbitration. There is considerable anger in Israel now because, despite Peres' agreement to arbitration, Mubarak is perceived to be dragging his feet with respect to a return of the Egyptian ambassador. The Egyptian handling of the Ras Burka incident—the murder of seven Israelis by a crazed Egyptian soldier—has also contributed to Israeli unhappiness.

(2) By and large, the Labor Party has looked to the West Bank/Gaza as a temporary Israeli administration. There is high concern among many Israelis about the implications for Israel of indefinite control over 1.3 million Arab inhabitants of the West Bank and Gaza.

The Likud and many in the religious parties in Israel, for religious and national security reasons, refuse to contemplate any Israeli withdrawal from the West Bank—which they refer to by the ancient names of Judea and Samaria.

One prominent Israeli noted to me that Israel is the "only country in the world where you get two different answers to the question of what constitutes the borders of the nation."

Prime Minister Peres has sought to transfer greater authority to the Palestinian inhabitants of the West Bank, calling his policy most recently, "devolution of authority." His efforts to date have not resulted in substantial changes on the ground, stymied in part by an entrenched bureaucracy wedded to slowing rather than accelerating any transfer of authority to Palestinians. (See below.)

(3) Peres has said that he wants direct negotiations with King Hussein, or a joint Jordanian/Palestinian delegation, if necessary, without preconditions. He is prepared to consider international auspices for these negotiations as long as the negotiations themselves are direct. He has stated that the Soviet Union may be party to the international gathering if Moscow re-establishes diplomatic relations with Israel and permits emigration of Soviet Jews. (Some have speculated that the latter is more important to him than the former.) Peres would prefer to enter into negotiations with a government of National Unity intact, but recognizes that elections might be necessary to conclude successful negotiations.

Likud, because it is ultimately willing to give up less to the Arabs in peace negotiations, is less interested in getting into them. It also recognizes that this is an issue over which Peres would call for elections. Likud would welcome elections if the issue involved negotiations with a delegation containing PLO members. Likud would also go to the electorate over the issue of territorial compromise.

On a variety of peace issues there is a strong consensus in Israel that there be no return to highly vulnerable pre-June 1967 borders, that Jerusalem never be relinquished, that there be no negotiations with the PLO.

It is an open question, therefore, what would have occurred had Yasir Arafat actually accepted King Hussein's conditions in Amman. All Israelis would have been confronted with very difficult choices.

Through personal qualities and demonstrated competence, Prime Minister Peres' popularity in Israel has soared. It is unclear, however, that his popularity has been translated into significantly greater support for the Labor Party. Peres has been careful to say that he agreed to turn over the Prime Minister's office to Yitzhak Shamir in October 1986. His supporters have been looking for an issue over which to break up the coalition government. None has materialized as yet and time is running out for Labor. Shamir, meanwhile, has been careful not to provide an excuse for a breakup.

If, as seems increasingly likely, rotation takes place, Shamir will become Prime Minister of Israel in October, and Peres is expected to move to the Ministry of Foreign Affairs. Rabin will stay as Minister of Defense. It is unlikely that there will be wide swings of policy as there have not been for the first two years of the National

Unity government. Issues will still have to be thrashed out in a divided cabinet. It is also possible that the government could fall over a less significant issue.

There is wide agreement in Israel on one issue: relations with the United States are excellent. The range of cooperative efforts continues to expand. The level of U.S. support for Israel, financial and otherwise, remains very high. Israel and the United States perceive themselves to be engaged in common efforts in a number of areas.

OCCUPIED TERRITORIES

Israel has been, since June 1967, in continuous control of the West Bank, East Jerusalem, Golan Heights, and Gaza. The West Bank and Gaza have been under Israeli military government jurisdiction. East Jerusalem and the Golan have been subject to Israeli civilian law, jurisdiction, and administration.

About 1.3 million Arabs live in the Occupied Territories—800,000 on the West Bank and 500,000 in Gaza. There are Israeli settlements in all the territories—up to 150 non-military settlements exist on the West Bank (not including expanded Jerusalem) with a settler population of from 40,000 to 50,000.

Different views have led to different Israeli policies in the Occupied Territories. Some argue—Meron Benvenisti, for example—that arguments about withdrawal have become academic. Israeli settlement activity on the West Bank, according to this argument, has so much impetus behind it that no Israeli government could consider giving up any of this land to non-Israeli sovereignty. Critics of Benvenisti argue that a good Arab offer could turn around Israeli opinion.

Israel permitted municipal elections in the Occupied Territories in 1972 and 1976. Since 1980 Israel has not permitted elections. Indeed, of the 23 Arab mayors and municipal councils elected in 1976, fourteen of the mayors and at least four of the municipal councils have been dismissed.

I visited several West Bank towns including Hebron, where I met the deposed mayor, Mustafa An Naatche, who was dismissed with his town council after a terrorist incident in 1983. Hebron is a particularly explosive situation because Israeli settlers have taken up residence in the center of this major West Bank Arab town, necessitating an extensive Israeli military presence in very narrow streets and congested neighborhoods.

Over 50 percent of the West Bank and 15 percent of the Gaza Strip has been declared state land and closed to further Palestinian use.

Economic life has clearly improved in the Occupied Territories since 1967. This improvement has been stimulated by worker remittances from the Gulf and by the cash infusions from the thousands of Palestinians who work in Israel. (The decline in remittances from the Gulf could have adverse consequences for the economy of the Territories.) Palestinians continue to be restricted with respect to crops they can grow and water they can use. Israeli authorities have only permitted about three wells to be drilled by Palestinians on the West Bank since 1967.

The National Unity government, under the urging of Prime Minister Peres, has been more amenable than its predecessor government to encouraging greater Palestinian economic self-sufficiency on the West Bank. Prior restrictions on the flow of outside money to the region have eased substantially.

Palestinian projects have received approval where before they had been blocked. As one Israeli put it, "Before our policy was no, with exceptions; now it is yes, with exceptions." Peres has also sought to encourage some indigenous Palestinian political leadership. The appointment of Zafer Al-Masri as Mayor of Nablus was the first evidence of this effort. Peres has indicated a desire, as part of his policy of "devolution of authority," to expand this policy to other Arab towns. Al-Masri's brutal kiling was a serious setback to this effort.

Palestinians, while applauding the rhetoric, remain skeptical about the practice. They see Peres' words being swallowed up by a hard line Israeli occupation bureaucracy. As one Palestinian leader put it to us, "If he is really serious, he will stop building settlements." On the tough issues of land and water, there is little movement.

Moreover, in response to rising indigenous violence in the Occupied Territories, there has been a reinstatement of deportation, detention, and housing demolition policies which the Likud government had avoided. The limitations on due process with respect to Palestinian detainees is disturbing in a democracy, even granting the extraordinary security concerns Israel faces.

Israelis find it difficult to formulate policies with respect to Palestinians. Many Israelis don't like to be put in a position of what one called "the exercise of coercive jurisdiction." However, to the degree that Palestinian identity and rights are acknowledged, their competition with those of Israelis over the Occupied Territories are conceded. Peres is clearly amenable to moving in the direction of giving Palestinians on the West Bank greater control over their future. Israelis have particular trouble, however, formulating policies encompassing diaspora Palestinians—those living outside territories occupied by Israel.

Some Israelis are now looking for West Bank Palestinians to speak and represent Palestinian interests in any negotiations with King Hussein. Unfortunately, Israeli policies over the last eighteen years of occupation have not nurtured such indigenous leadership. Israeli restrictions imposed on political activity in the Occupied Territories have been too successful.

A split has developed in the Palestinian community between those who have come to know Israelis and those who have never had the opportunity. The former can more easily contemplate a future in association with Israel as long as their rights are independent of Israeli control. They are more realistic about the compromises that are necessary if their aspirations are to be fulfilled. But, and this is an important qualifier, it remains true that most Palestinians in the Occupied Territories, for a variety of complex reasons, look to the PLO and to Yasir Arafat for leadership. They may seek to influence that leadership; they will not as yet confront it.

Palestinians in the Occupied Territories claim that they do not have the authority to speak either for the Palestinians under occupation or for those of the diaspora. They welcome King Hussein's efforts and have sought to encourage them where possible, though they also say that they have yet to see much concrete evidence of renewed Jordanian interest in the West Bank. Most of all, they yearn for an end to Israeli occupation. If that is not immediately possible, they express hope that, by small signs or large, Israel will show that there is a shift in what is perceived as the general march toward absorption of the Occupied Territories into Israel. They are suspicious of grand speeches about "autonomy" and "devolution", and look instead for specific steps, such as a halt to land confiscations and new settlements, greater leniency on family reunification, etc.

The United States can continue to play a useful role in the Territories through its Quality of Life program. The relatively modest U.S. infusions of capital are helping the Palestinians of the Occupied Territories in small but important ways. We need to devote greater resources to these highly productive efforts.

5. Egypt

President Mubarak is going through a very difficult period. His government has been buffeted by the *Achille Lauro* incident and the Egypt Air hijacking to Malta, by a very troubled economy, and by an increasingly vocal domestic opposition. A perception has taken hold of late, that events are crowding the government. The latest bout of rioting, which began hours after I left Cairo, may be symptomatic of Egypt's larger problems.

This is probably not, however, a regime which is immediately threatened. The military appears loyal. President Mubarak has encouraged significant public expression. The National Assembly has become an active institution, and its debates are broadcast on television. But in the universities and elsewhere in the society there is unrest. The combination of Islamic fundamentalism and disgruntled students and low-rank Egyptian soldiers has raised concern in many quarters.

The Egyptain economy has always appeared to be troubled. It is facing serious current and projected foreign exchange problems. These problems are largely not of Egypt's making. Egypt is the victim of events beyond its control. Regional terrorism has discouraged tourist visits. Oil revenues have plummeted with the collapse of international oil prices. Remittances from workers living abroad have begun falling with the economic downturn in the Persian Gulf.

Egypt faces other problems which are domestic in origin. Population pressures are intense. It is estimated that Egypt adds a million people to its population every eight to ten months. The economy remains hopelessly inefficient. The government does not feel sufficiently confident politically to take hard decisions on issues of subsidies and exchange rates. Egypt is forced to import about 50 per-

cent of its food needs, where once it was self-sufficient. The government has refused thus far to go to the IMF, and has rejected rescheduling its debt, which is a crushing burden.

President Mubarak has had some success in easing Egypt back into the Arab fold. Egypt is once more a member of the Islamic Conference. It has diplomatic relations with Jordan and good ties with Iraq. Syria and Saudi Arabia, however, have incentives for keeping Egypt out of the Arab fold, given its historic leadership position in the region. Egypt has taken an active interest in African issues as well, given its dependence on the Nile waters which reach Egypt from the heart of the continent.

Relations with Israel are still formal and tentative. Egyptians believe Israelis fail to appreciate the burden that their policies place on Egypt. They argue that Israel would not have felt free to attack Iraq, incorporate the Golan, and invade Lebanon, if the Egyptian flank weren't neutralized. They say that all of these policies expose Egypt in the Arab world as the country that sold out. The Israeli relationship, while not popular in Egypt, is not yet fundamentally at risk. Egyptians argue, however, that significant improvements in relations must be a function of Israeli movement on the Palestinian question.

In the short run, Egyptian and Israeli negotiators are trying to reach agreement on the terms of reference for an arbitration of the Taba territorial issue. This has enormous political significance in Egypt. Egyptian leaders maintain that they are seeking this agreement and intend to return the Egyptian ambassador to Israel and arrange a Mubarak/Peres meeting when agreement is reached.

Egyptians also argue that they have a great interest in an expanded Arab-Israeli peace process. Only if the process includes Jordanians, Syrians, and Palestinians will Egypt be proved to be the pace setter and not the traitor in the region.

Egyptian leaders feel that they have not been properly included in the latest round of the peace process. They believe that Arafat and Hussein can yet be brought together on a common program which involves the former explicitly committing himself to U.N. Resolutions 242/338. They believe that an international conference is necessary, but that efforts should be made to limit the Soviet role in such a conference. The real negotiations, in the view of Egyptian officials, must take place in smaller committees.

Finally, relations with the United States have been rocky of late. Egyptians constantly contrast U.S./Egyptian with U.S./Israeli relations, and feel short-changed. They feel that we have moved steadily closer to the Israeli position at the serious expense of our relations with the Arab world. They argue that Egypt plays a significant role in U.S. interests which we fail to properly appreciate.

One potential source of future strain is the issue of aid. We have made enormous contributions to Egypt in our military and economic aid programs. We are now, however, engaged in an active dialogue with Egypt with respect to its macroeconomic policy. In the long term, it is probably unwise for one sovereign nation to be in the position of preaching to another sovereign nation with respect

to its domestic economic policy. Our mutual interests would be better served by Egypt obtaining and following advice from international bodies such as the IMF.

Egypt is a valuable friend of the United States. We have policy differences, but these can be managed if they are kept out of the glare of publicity and are managed adroitly, both in Washington and Cairo.

APPENDIX

Middle East Trip Schedule and Major Appointments

Senator Charles McC. Mathias, Jr.

FEBRUARY 5–26,1986

February 7—Dhahran, Saudi Arabia

ARAMCO facilities overflight
Appointments with ARAMCO officials and Eastern Province businessmen

February 8–12—Riyadh, Saudi Arabia

Prince Sultan—Second Deputy Prime Minister and Minister of Defense and Aviation
Prince Sattam—Vice Governor of Riyadh Province
H.E. Sheikh Ahmad Zaki Yamani—Minister of Petroleum and Mineral Resources
H.E. Hisham Nazir—Minister of Planning
H.E. Dr. Soliman Solaim—Minister of Commerce

February 12–15—Damascus, Syria

Vice President Abd al-Halim Khaddam
Minister of Foreign Affairs Farouk al-Shara

February 15–17—Amman, Jordan

His Majesty King Hussein
Crown Prince Hassan
Prime Minister Zayd al-Rifa'i
Minister of Foreign Affairs Tahir al-Masri
Commander-in-Chief Bin Shaker

February 17–20—Israel

Prime Minister Shimon Peres
Vice Prime Minister Yitzhak Shamir
Minister of Defense Yitzhak Rabin
Minister of Finance Yitzhak Moday
Minister Without Portfolio Moshe Arens
Members of the Knesset: Abba Eban, Dan Meridor, Simcha Dinitz
Others: Professor Shlomo Avineri
Colonel Ephraim Sneh—Head West Bank Civil Administration
Hanan Bar-on—Deputy Director General Foreign Ministry
Major General (Res.) Aharon Yariv

Colonel Hanan Alon—IDF Planning Staff

Occupied Territories

Zafer Al-Masri—Mayor of Nablus
Elias Freij—Mayor of Bethlehem
Mustafa An Naatche—Former Acting Mayor of Hebron
Hanna Siniora—Editor Al Fajr
Fayaz Abu Rahme—Gaza

February 20-25—Egypt

President Hosni Mubarak
Deputy Prime Minister and Minister of Defense Abu Ghazala
Deputy Prime Minister and Minister of Foreign Affairs Esmat Abdel Meguid
Presidential Advisor Osama Al-Baz
Minister of State for Foreign Affairs Boutros Ghali

○